

Some Issues of Micro and Small Enterprises in Wolaita Soddo Town of SNNPR, Ethiopia and Implication for Technical and Vocational Education and Skills Training: Leather Sector in Extra Emphasis

Ginja, Tamirat Gibon
Education and Social Program Manager, People In Need Ethiopia

Abstract

Technical and Vocational Education & skills Training (TVET) and Micro & Small Enterprises (MSEs) are so significant sectors in socio-economic development journey of a country. This Article was aimed at investigating empirically the challenges that Micro and Small Enterprises facing and the extent of business development services provided by TVET College with extra emphasis of Leather based MSEs in Wolayta Soddo town. Both quantitative and qualitative study methods were employed through questionnaire, observation, interview and secondary data reviewing. To this end, 36 respondents from selected MSEs were participated through in open and close ended patterns of the questionnaire. Whereas, 5 respondents from relevant sector government offices were involved in interview sessions. Moreover, MSEs marketing and production centers have been observed. Furthermore, secondary data collected from various sources were reviewed. Thus, some untapped opportunities for MSEs indicated and extra due attention suggested for leather sector as it is clear that Ethiopia has a clear comparative advantage in raw skin and hides production even if this comparative advantage is not yet turned into a competitive advantage in the global market. Some major constraints of the sectors like market constraint, finance constraint, land constraint and input constraint have been discussed. Most importantly, pre-job and in-job skill training areas were recommended to continuously capacitate MSE operators through TVET curriculum and existing structure.

Keywords: Wolayta Soddo, Leather sector, MSEs, TVET, advises/training service

Introduction

Ethiopian industrial development strategy (2013) recognizes the private sector as an engine of development. Its purpose is to develop the industrial sector and enhance its contribution to the overall economic growth of the country. In a bid to support industrial development, the strategy outlines that there is a need to create stable macro economy, establish modern financial system, provide reliable infrastructural facilities such as road transport, rail transport, air transport, telecommunication service, power provision, and water and land delivery. Moreover, the need to create efficient and developmental administration including fostering transparency and accountability, improved tax and information system, fair competition and efficient judicial system was also emphasized.

Micro and Small scale enterprises (MSEs) have been also accepted worldwide as instrument of economic growth and development. In this regard, Ethiopian government supports establishment and development of the MSEs, which is explicitly stated in the Poverty Reduction Strategy (2002), the Micro and Small Enterprises Development Strategy (1997), and the Federal Food Security Strategy. Ethiopia recognizes and pays due attention to promote and development of MSEs which are seen as important vehicles to address the challenges of unemployment, economic growth and equity in the country. The national MSE strategy (1997) of Ethiopia states that in all the successful economies, MSEs are seen as an essential springboard for growth, job creation and social progress at large.

Besides, the National Technical & Vocational Education & Training (TVET) Strategy (2008), which was developed by the Ministry of Education in August 2008, also integrates MSEs into the formal educational system of the country. The overall objective of the National TVET Strategy is to create a competent, motivated, adaptable and innovative workforce in Ethiopia contributing to poverty reduction and social and economic development through facilitating demand-driven, high quality technical and vocational education and training, relevant to all sectors of the economy, at all levels and to all people. The strategy dictates that the institutions are expected to relevantly transfer the technologies to micro and small enterprise sector in order to increase their productivity and to provide TVET programs and technology transfer services to strengthen MSE in urban and semi-urban areas.

In Ethiopia, within the industrial sector, one of the most prioritized sub-sector due to its clear comparative advantage in manufacturing is the leather sector. Ethiopia as a country is endowed with abundance of livestock resources and possesses one of the largest populations of livestock in Africa and even 7th-9th in the world, i.e. 53.4 million cattle, 25.5 million sheep and 22.7 million goats (CSA, 2011). The country's comparative advantage in the Leather sector, such as availability of livestock population, cheap labour force,

availability of big tanneries (soaking capacity), open access to Europe and U.S, has the potential to make the industry one of the most competitive industries if the existing local and international market opportunities are exploited and utilized in an efficient and effective manner, however the reality gives a different picture.

During the fiscal year 2012/2013, over 68.33 million square meters of leather were processed into footwear for both the domestic and international markets, contributing 44.1% of the manufacturing sector (Ministry of Industry_ date not available, cited in Program for Country Partnership). The industry currently employs approximately14,000 people. The Ministry of Industry targets an increase in exports of leather and leather products from US\$170 million in 2012 to USD\$1.4 billion by 2020, which would also create350,000 new jobs. To this end, the government of Ethiopia has set to increase productive capacity and efficiency to reach the economy's productive possibility frontier through rapidly improving quality, productivity and competitiveness of productive sectors as one of the pillar strategies in GTP II (2015/16). But the fact that Ethiopia is not yet turned into a competitive advantage in the market. In this regard, most of Ethiopian regional/Zonal towns, including Wolayta Soddo town, were being challenged due to some barriers and less commitment of actors.

Wolayta zone is one of thirteen zones in the SNNPR region and covers an area of 4471.3km. It is divided into 12 Woredas and topographically the zone lies on elevation ranging from 1200 to 2950 meters above sea level. The total population of the zone is estimated at 1,501,112 with a density of 364ppkm. Soddo town is the administrative center of the zone, located 383 km south of Addis Ababa and 157 km away from Hawassa, capital of SNNPR. The 2007 census estimates the average number of persons per household as 4.9 which is similar to the national average and the population growth as 2.9 per cent which is slightly higher than the national population growth of 2.5 per cent. According to Wolayta Zone BOFED annual report (2015/16), in Soddo town there are about 139,893 residents, 34, 183 youth and 8,300 unemployed youth (which accounts 24% of the total population).

The researcher had opportunity to stay in Wolayta Soddo town and observed MSEs' stressed work environment. In addition, Baseline survey report (2016) that was conducted by People In Need Ethiopia (INGO) revealed that MSEs in Soddo town were under limited coordination of actors like TVET providers, Trade and Industry Offices and OMFIs and resulted on weak business performances and unfitting operation. Therefore, the researcher has been enthusiastic to answer for the following questions:

- What potential opportunities prospected that encourage leather product based MSEs in the town?
- What are the barriers that hinder MSEs (Leather based MSEs in focus) to contribute to sustainable development in Wolayta Soddo town?
- How the TVET College to support the sector?

Objectives of the study:

- To identify the available opportunities and constraints with special attention of Leather Based Micro and Small Enterprises in Wolaita Soddo town
- To advise possible solutions (way forward) to overcome hindering factors of the sector effectiveness.
- To recommend appropriate measures through TVET Providers keen support

Significance of the study:

- It will inform key actors (Specially TVET College) to give due attention on how to support Leather based MSEs in both on-job and pre-job phases
- It may aware youth about opportunities if they interested working through MSEs system,
- NGOs (like People In Need, who has already track record in Leather based projects in SNNPR, Ethiopia) and Go may take note for further intervention.

Both quantitative and qualitative study methods employed through questioner, observation, interview and secondary data. For the quantitative survey, the list of MSEs who were operating in per sub-city and area of business has been collected from Soddo Town Trade and Industry Office. Then all (4 in number) leather based MSEs purposively; and 8 MSEs from Textile & garment, Food processing and beverage, Metal & Wood works and Agro-processing (2 MSEs from each sector) randomly selected, totally 12 MSEs have been surveyed among 106. Finally, 36 respondents fill out the questionnaire; the questionnaire were designed in open and close ended patterns and administered directly on the operators of the micro and small scale enterprises directly. In addition, all selected MSEs shops and production centers have been observed. Moreover, 1 expert from Soddo Town TIO, 3 experts from their respective sub-city TIOs and 1 representative of Soddo TVET College, total of 5 people were interviewed. Furtherly, secondary data were reviewed.

Result and Discussion

Respondents' profile, MSEs characteristics and Demographics

Respondents' profile, MSEs characteristics and demographic information were obtained through the

questionnaire. The information includes educational background, age of respondents, gender, data of MSEs in manufacturing sector, the age of MSEs and the size of MSEs. These are presented using table and graphs as follow.

Educational back ground of the respondents:

The following pie chart shows MSEs members educational background to understand how they can they able to manage their business.

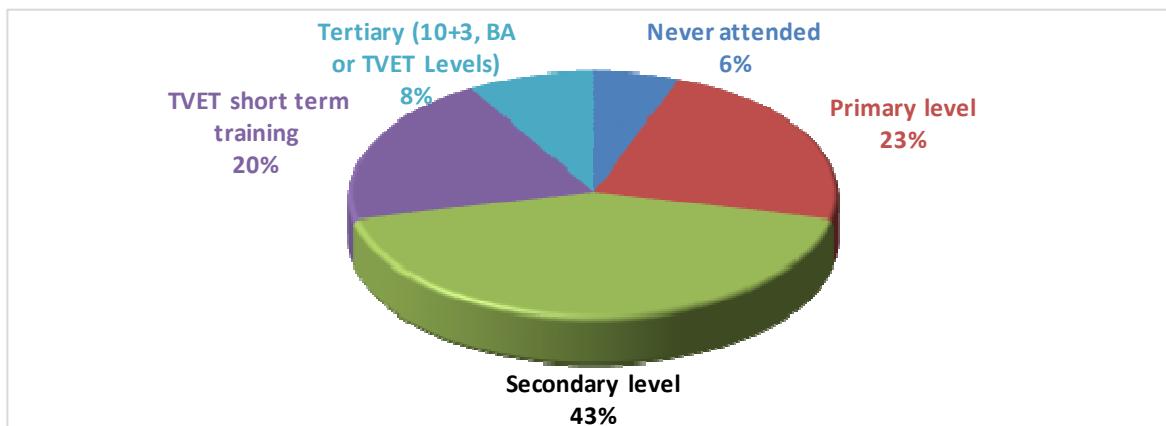


Figure 1: Educational profile

The above pie chart shows that 6% had never attended class, 23% had attended primary school, 43% had completed secondary school, and 20% of the respondents gained short term TVET training while only 8% had received at least 10+3 level education. Results indicate that the majority (about 80%) of the respondents hadn't attend short term trainings that supposed to equip MSEs new entrants even if they had enabled to read and write through non-TVET education system. Majority of MSEs member are under low education profile as only 8 % were attended 10+3 and above level education and didn't receive job relevant TVET short terms training for their business purpose.

Age of the Respondents

Table 1 shows that more than 83% respondents are between the ages of 18 - 29 years old. The results indicate that the majority of the respondents were between the age of 18 and 35 years

Table 1: Age of respondents

Age category	Number of respondents	%
18 - 24	11	30.6
25 - 29	19	52.8
30 - 40	5	13.9
Above 40	1	2.7

No one of whose age under 18 is on such business and only 2.7% of whose age above 40 were involving.

Gender

Figure 2 below indicate that very high number of male and low female respondents participated in this study, 81% were males and 19% were females.

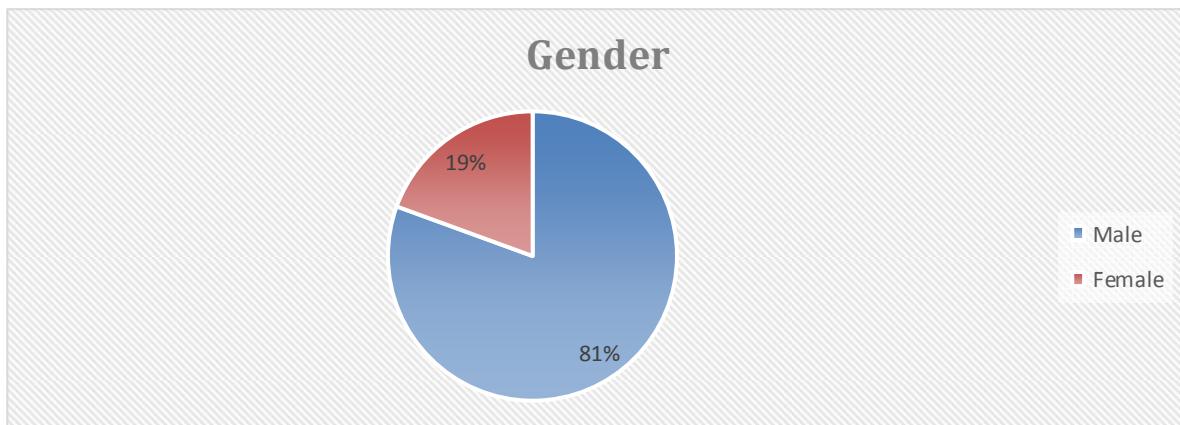


Figure 2: Gender of the respondents

Basic characteristics of MSEs in manufacturing sector

As data obtained from Soddo town Trade and Industry office, 106 manufacturing sector MSEs had been operating in the town.

Table 2: MSEs in manufacturing sectors

Specific Sectors	Number	%
Textile and garment	28	26.4
Leather and leather products.	4	3.8
Food processing and beverage	37	35
Metal & wood works	56	52.8
Agro-processing	22	20.8
Other	13	12.3
Total	106	100

*Source: People In Need Ethiopia (2016): Baseline survey report

Even though the number of textile and garment MSEs were stated as 28, as confirmed through observation and interview sessions there are only 13 functional MSEs on the sector currently. The non-functional MSEs are the one which were registered in trade and industry and are not yet started working. In the leather sector, only 4 (3.8%) functional MSEs cover the manufacturing sector in the town.

Age of MSEs

MSEs' ages were divided into five categories (less than 2 years, 2-3 years, 3-4 years, 4-5 years and above 5 years). Of the 36 respondents 16.7% of the businesses were less than 2 years old, 25% were between the ages of 2-3 years, 16.7% were between the ages 3 to 4 years, 8.3% were 4-5 years old and 33.3% were above five years old. The results are illustrated in the Table 3 below.

Table 3: Age of MSEs in operation

Age category of MSEs	Number of MSEs	%
Less than 2 years	2	16.7
2 – 3 years	3	25
3 – 4 years	2	16.7
4 – 5 years	1	8.3
Above 5 years	4	33.3

In addition, as specific data most of the Leather MSEs (3 out of four MSEs) were established within the last 2 years' interval and more than half of Textile and garment MSEs were also established within the last 3 years' interval.

Size of MSEs

Size of a certain MSE is depends on capacity of the given MSE and number of its member/employee. Based on FeMSEDAMSE definition, micro consists equal or greater than 5 members and small implies less than 5 members of their respective enterprises.

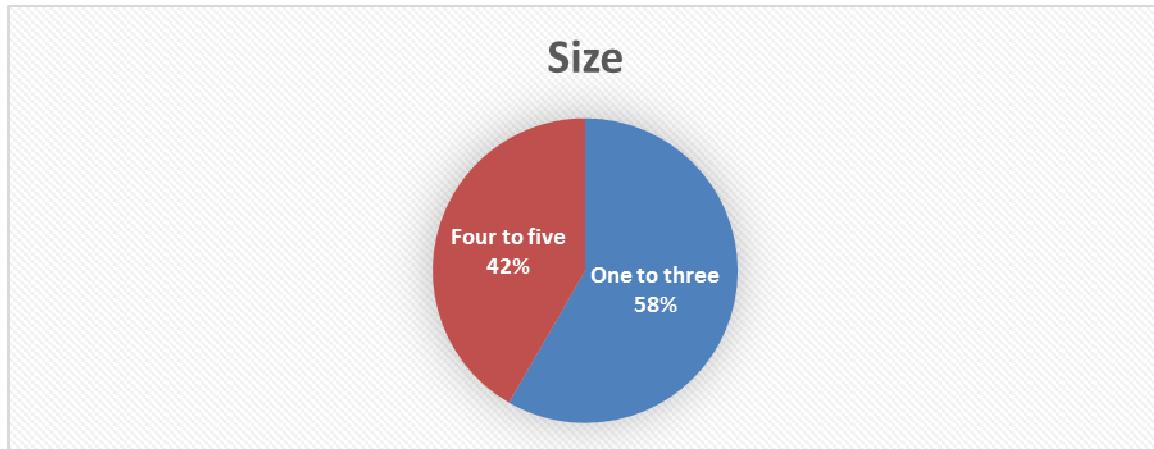


Figure 3: Size of MSEs

The most usual size of MSEs in the town was 1-3 and 4-5 members or employees. Considering human power, almost all of enterprises could be well-thought-out as micro-scale businesses. Among the four leather MSEs, all of them could be considered as micro enterprises because two of them have 1-3 members and two of them have 4-5 members based on its specific data.

To sum up, from the analysis of demographic the following stand out:

- about 57% of the MSEs participated in the study were aged below 4 years which shows the majority of the MSEs under the study were established during the first GTP period.
- all of MSEs are micro businesses enterprises that employed 5 and less people.
- about 82% of the respondents were under the age of 29 that shows the majority are youth.
- about 80% of the respondents had attended non-related education to their specific business.
- A higher number of respondents were male (81%).

Opportunities of MSEs: Leather sector in focus

The explanation of this part is more qualitative analysis as obtained information during interview discussion with Trade and Industry officials and review of secondary data; and presented as follow.

- ✓ Less capital intensive
- ✓ Newly emerging and attention seeking sector
- ✓ Most important employment generating sector.
- ✓ Effective tool for promotion of balanced development
- ✓ It is extensively promoted and supported by the Government
- ✓ Finance and supports are provided by the government and NGOs
- ✓ Produced goods are purchased by community members
- ✓ Procurement of machinery and raw material when the capacity enhanced
- ✓ Globalization has offered new opportunities for leather sector business
- ✓ Trade fares and exhibitions played

Challenges related to advises and trainings support access

In the questionnaire, an effort made to check whether the MSEs face challenge in accessing trainings and advice in various areas. Existence of challenges described as Strongly dis agree (SD), Disagree (D), Neutral (N), Agree (A) and Strongly agree (SA) presented as below.

Table 4: Challenges related access to advises and trainings support

Support type	SD		D		N		A		SA	
	#	%	#	%	#	%	#	%	#	%
Financial management	1	2.8	1	2.8	3	8.4	20	55.5	11	30.5
Record keeping	3	8.4	1	2.8	6	16.6	14	38.9	12	33.3
Inventory	3	8.4	3	8.4	4	11.2	15	41.5	11	30.5
Time management	3	8.4	1	2.8	2	5.6	18	50	12	33.2
Supply chain management	1	2.8	4	11.2	7	19.4	12	33.3	12	33.3
Credit management	6	16.6	6	16.6	4	11.2	14	39	6	16.6
Market promotion	4	11.2	5	13.6	4	11.2	14	39	9	25
Human resource management	3	8.4	3	8.4	7	19.4	12	33.3	11	30.5
Counseling	9	25	5	14	7	19.4	9	25	6	16.6

As it is indicated in the table 4 above, the majority (ranging between about 63% to 87%) of the

respondents at least agree that they face challenges in accessing training and advise in the areas of financial management, time management, inventory, record keeping, supply chain management, market promotion, and human resource management from highest to lowest.

On the other hand, considerable number of respondents were not being challenged in counselling (39%) and credit management (33.2%) and confirmed as they were getting supports.

In addition, in open ended part of the questionnaire and interview discussion confirmed that members of the MSEs lack the skill to improve quality and agree that they lack to maintain product standards and lack a skill to convince their customers. In general, most of respondents agree that they have skilled personnel gap to improve productivity and specifically leather based MSEs severity was very high.

Furtherly, the respondents were asked at least four major constraints that hinder their business growth. From the aggregated result the four major constraints of MSEs are market constraint, finance constraint, land constraint and input constraint.

The constraints to some extent vary between sectors. The major constraint for all sectors is market except for metal sector where they are mainly faced with land (working premise) constraint. Land is also equally major constraint for the food processing sector. Input constraint is one of the major four constraints for the food processing, textile and wood sector. For textile and leather sector, lack of managerial and technical skill is one of the major four constraints. From the survey result, market is the major constraints that hinder the enterprises growth.

The major marketing problems identified from the interview with the respective officials include:

- The working premises locations constructed by government are located far from main roads and is not feasible to contact with potential buyers/visitors.
- The promotion of the MSEs sector mainly focuses on job opportunity and poverty reduction than based on business perspective as quality of products. Thus, customers expect lower price of products as compared with the same products that is supplied in the market by the MSEs that are not under the support of any government structure.

Finance constraint is the second major constraint for the MSEs. The increase in raw materials and labor cost has left the entrepreneurs weak in running their business due to shortage of working capital. Access to credit from bank is not possible due to collateral requirements that are above their capacity and high interest rate. To get loan MFIs has long and tight procedure to get finance when needed and with the required amount. Due to high market competition and price fluctuation the entrepreneurs has fear of the sales and profitability of the products. Specially, the new potential entrants were also getting discouraged due to unaffordability of 20% saving that considered as rigid prerequisite to get loan from OMO MFI.

Working premise (land) constraint is the third major constraint that hinders the growth of the enterprises. The working premises for a specific sector can be found located close to each other or scattered here and there based on the availability of open space to construct them. The government considers the working premises that are found close to each other as clusters because enterprises that are operating in similar and closely related activities are operating in them. Though government has made efforts in solving working premise challenges of MSEs, the current problem is mainly the small space of the working premise allocated for each enterprise that limit the proper functioning and expansion of the enterprises as buying additional machines and limit the hiring of more employees.

Input constraint is the fourth major constraints that hinder growth of the enterprises. This is very serious problem specially for leather sector MSEs as the only place to buy raw materials for leather products is Addis Ababa and it is also difficult to get easily as private supplier are not willing to sell for MSEs whose capital is small. Sometimes it is not available and no option.

Conclusion

There were untapped opportunities identified for MSEs who are operating the area, especially leather sector is very prospected business that the country planned for global competitiveness.

MSEs in Wolayta Soddo town are facing challenges in lack of training and advise in the areas of financial management, time management, inventory, record keeping, supply chain management, market promotion, and human resource management.

The major constraint for all sectors are market constraint, finance constraint, land constraint and input constraint.

Leather sector also lacking managerial and technical skill as one of the major four constraints identified.

Recommendation

Access to finance and working premise constraint are critical problems that hinder the growth of enterprises. The limitation of working capital has hindered the enterprise growth. The MFIs and banks should improve their strategy in accessing finance to MSEs by considering the MSE potential on collateral requirement and lower

interest rate. The long procedures should also be improved not to discourage the MSEs. Though government are providing working premise for the enterprises, the space provided for the enterprises are very small to run their business. Thus, government by assessing the problems should optimize the space to be provided for the enterprises. Moreover, the rigid requirement of 20% saving for new entrants or newly established MSEs who are unable to afford to be revised to encourage poor youth through minimizing mechanisms.

The enterprises with support from governmental and non-governmental organizations should work on continuous capacity development of employees by raising skill efficiency through trainings. In this regard, TVET institutions should revise their training delivery approach through need assessment, conducting market research and linking accordingly, involving both on-job-training and pre-job training, regular based supervision and refresher meeting with relevant actors for MSEs betterment.

I suggest key actors strong networking for MSEs operations management.

Reference

Central Statistics Authority Report 2010/2011. Addis Ababa, Ethiopia.

Das, K. (2008), 'SMEs in India: Issues and Possibilities in Times of Globalization', in Lim, H. (ed.), *SME in Asia and Globalization*, ERIA Research Project Report 2007-5, pp.69-97. Available at: http://www.eria.org/SMEs%20in%20India_Issues%20and%20Possibilities%20in%20Times%20of%20Globalisation.pdf

Federal Democratic Republic of Ethiopia (FDRE) and Ministry of Trade and Industry (MoTI), 1997. Micro and Small Enterprise Development Strategy. Addis Ababa, Ethiopia.

Federal Democratic Republic of Ethiopia (FeDRE), 2011, *Micro and Small Enterprise Development Strategy, provision framework and methods of Implementation*, Addis Ababa, Ethiopia

FDRE Ministry of Industry (2013): Ethiopian Industrial Development Strategic Plan (2013-2025), Addis Ababa, Ethiopia. Available at <http://www.moin.gov.et/documents/93482/133019/57+English+MoI++Strategic+plan-.pdf/38dbde1f-9721-4df8-8c9b-f9c8e81d35c9>

Federal Democratic Republic of Ethiopia (FDRE) and Ministry of Finance and Economic Development (MOFED) 2002: Ethiopia: Sustainable Development and Poverty Reduction Program. Addis Ababa, Ethiopia

The Federal Democratic Republic of Ethiopia (2010): The Growth and Transformation Plan (GTP). Addis Ababa, Ethiopia.

The Federal Democratic Republic of Ethiopia (2015/16): The Growth and Transformation Plan (GTP II). Addis Ababa, Ethiopia.

PROGRAMME FOR COUNTRY PARTNERSHIP ETHIOPIA (date: not available). Addis Ababa, Ethiopia. Available at <https://isid.unido.org/files/Forum%202/PCP%20Ethiopia.pdf>

MoE (2008): NATIONAL TECHNICAL & VOCATIONAL EDUCATION & TRAINING (TVET) STRATEGY. Addis Ababa, Ethiopia.

People In Need Ethiopia (2016): Baseline survey report of "Increasing Employment of Young Women and Men in Leather Sector through Improved Quality of Vocational Education and Support for Business in SNNPR, Ethiopia: 2016 - 2017" project. Not published. Hawassa, Ethiopia.

Wolayta Zone BOFED Annual report (2015/2016). Wolayta Soddo, Ethiopia